

Message Text

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ORIGIN EB-08

INFO OCT-01 ISO-00 /009 R

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APPROVED BY:EB/OT/STA:THOMAS F. O'HERRON
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R 120446Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY PARIS

C O N F I D E N T I A L STATE 121292

USOECD

FOL BRUSSELS 8801 SENT ACTION SECSTATE INFO TOKYO MAY 8, 1978
REPEATED TO YOU QUOTE

C O N F I D E N T I A L BRUSSELS 08801

USEEC

DEPARTMENT PASS ELECTRONICALLY STR FOR WOLFF, HEIMLICH

E.O.11652:GDS
TAGS: EEC, ETRD, EIND
SUBJECT: STEEL--DRAFT INTERNATIONAL RESOLUTION

REF: STATE 111651

1. LOEFF CONTACTED MISSION TODAY TO BRIEF US ON COM-
MISSION DISCUSSIONS OF PROPOSED RESOLUTION (REFTEL).

2. IN GENERAL COMMISSION FEELS THAT IT WAS A GOOD
EFFORT WHICH COULD BE THE BASIS OF A DRAFTING EXERCISE
IN TOKYO THIS WEEK. LOEFF SAID THERE WERE A FEW SECOND-
ORDER PROBLEMS (SEE BELOW) ON WHICH THE COMMISSION WOULD
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PREFER CLARIFICATION OR DIFFERENT TACTICS.

3. THE MAJOR PROBLEM FOR THE COMMISSION AT THIS STAGE
IS HOW TO BRING IN THE EC MEMBER STATES. DAVIGNON
REPORTEDLY FEELS HE NEEDS ABOUT TWO WEEKS OF CONSULTATIONS
WITH THE MEMBER STATES IN ORDER TO BRING THEM ON BOARD
AND THAT IF THEY WERE TO BE PRESENTED WITH A FAIT

ACCOMPLI EVEN THOSE MEMBER STATES PREDISPOSED TO ENDORSE THE PAPER WOULD REJECT IT ON PRINCIPLE. TO DATE DAVIGNON AND LOEFF HAVE GIVEN THE MEMBER STATES ONLY VAGUE INDICATIONS OF WHAT IS GOING ON. (PRESS STORIES ARE BEGINNING TO APPEAR.) LOEFF SAID DAVIGNON DOES NOT THINK THE U.S., JAPAN AND THE EC SHOULD AIM AT PRESENTING THE RESOLUTION AT THE MAY 22-23 OECD MEETING. LOEFF NOTED THIS ISSUE WOULD HAVE TO BE DISCUSSED IN TOKYO BUT HE SAW THREE ALTERNATIVES:

- (1) POSTPONE THE MEETING (LOEFF DOES NOT FAVOR THIS)
- (2) GIVE THE PAPER TO OECD MEMBERS IN A REDUCED FORM
- (3) MAKE AN ORAL ACCOUNT.

4. LOEFF STRESSED THE COMMISSION HAS NO ULTERIOR MOTIVE IN POSTPONING THIS DISCUSSION AND REMAINS COMMITTED TO THE JULY 15 TARGET DATE. HE SAID HE WAS DRAFTING A LETTER FROM DAVIGNON TO STRAUSS ON THE SUBJECT. AS AN EXAMPLE OF THE KIND OF DANGERS INVOLVED, LOEFF POINTED OUT THAT THE SECTION ON EXPORT CONTROLS OF SCRAP METAL, WHILE IN LINE WITH COMMISSION THINKING, DIFFERS FROM MEMBER STATES' VIEWS, AND IT IS THE MEMBER STATES THAT HAVE COMPETENCY IN THIS AREA. THE COMMISSION THEREFORE FEELS THAT IT NEEDS GENERAL (BUT ONLY GENERAL) APPROVAL OF THE MEMBER STATES BEFORE THE RESOLUTION IS PRESENTED.

5. LOEFF SAID THREE OTHER PROBLEMS NOTED WERE ALONG THE LINES OF HIS REMARKS IN WASHINGTON APRIL 24. FIRST THERE

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IS RUNNING DEBATE ABOUT "CUSTOMARY" VERSUS "TRADITIONAL" PATTERNS OF TRADE. DO THEY MEAN THE SAME THING? IF NOT, MAYBE IT COULD BE PHRASED DIFFERENTLY. SECONDLY, THE EC WOULD HAVE SERIOUS PROBLEMS WITH THE LIMITATION OF ARTICLE 19 APPLICATION ONLY TO CASES WHERE STRUCTURAL PROBLEMS EXIST. LOEFF COULD NOT REMEMBER THIS BEING DISCUSSED IN WASHINGTON. THIRDLY, WHILE AGREEING WITH THE U.S. GOALS ON EXPORT CREDITS, THE COMMISSION BELIEVES THAT STATING BALDLY IN THE RESOLUTION THAT THERE SHOULD BE NO AIDS FOR STEEL PROJECTS WHICH ARE NOT COMPETITIVE UNNECESSARILY RISKS STIRRING UP RESENTMENT IN THE LDC'S.

6. MAURICE SCHAEFFER, DIRECTOR FOR STEEL AFFAIRS, DG III, WILL ACCOMPANY LOEFF TO TOKYO. HINTON UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, STEEL, RESOLUTIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE121292
Document Source: CORE
Document Unique ID: 00
Drafter: EB/OT/STA:CHARLES H BLUM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780201-1046
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780563/aaaacbtm.tel
Line Count: 108
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3b33969f-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 111651
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2705406
Secure: OPEN
Status: NATIVE
Subject: STEEL--DRAFT INTERNATIONAL RESOLUTION
TAGS: ETRD, EIND, EEC
To: PARIS USOECD
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3b33969f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014